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MOTION FOR A RESOLUTION

tabled by Mr Sergio PININFARINA

pursuant to Rule 25 of the Rules of Procedure

on a European policy for the motor industry

The European Parliament,

- whereas the present situation and the short and medium term prospects for the European motor industry are particularly serious and worrying,

1. Reminds the Commission and the Council of Ministers of the European Communities in so far as they are competent of the need for planned action to tackle the problems facing this industry on a general basis and thus enable European firms to survive this difficult period and then to meet the ever-increasing competition from outside the Community effectively;
2. Regards the energy crisis not as the only but certainly the basic cause of the increased difficulties faced by this industry.

The most obvious consequences include:

- the growing dependence of the USA on expensive and uncertain imports of oil which has led to new attitudes and legislation aimed at reducing energy consumption and hence encouraged American manufacturers to think in terms of cars of the same size and specification as those made in Europe;
 - the problem of energy saving and stricter anti-pollution rules which have also forced manufacturers to develop new technologies requiring investment on a scale more compatible with the size of industry to be found in the USA and Japan than in the Community;
 - the different ways in which the national economies have reacted to the rapid and exceptional rise in oil prices which have led to divergencies in the rate of increase of real disposable incomes which have in turn seriously affected the relative sizes of the various national markets in Europe;
3. Underlines its concern at the strong American and Japanese challenge which has now emerged and which the European industry is not at present in the best condition to meet effectively;

4. Points out in connection with this dual challenge that:

- the American industry is preparing to attack the world market and the European market in particular from a position of strength by 1981 using the results of major investment programmes geared to 'down-sizing'. These involve engine design, the choice of materials and the use of electronics all in accordance with a plan to switch to cars of a European type.

Investments in this field are enormous: between \$ 70 and 80,000 million over the period 1979-1985. GM alone spends \$ 5 to 7,000 million on investment each year.

Implementation of these programmes benefits from a combination of factors: sustained Government support for research activities and a greater degree of productive mobility and flexibility resulting from the industrial relations climate and cooperation between employers and workers which allows firms to manage even major crises without too much drama;

- as far as the Japanese industry is concerned it is sufficient to consider the main features of its extraordinary growth.

By 1979 production, which had begun in the 1960s, exceeded 6 million units, half of which were exported, and according to realistic forecasts - based on the level of investments made - it is likely to reach the 12 million mark by 1985. It is also impressive to note that in the five year period 1973-1978 production of cars has increased by 38% in Japan and 8% in Germany while it fell by 19% in Italy and 39% in the United Kingdom. Over the same period Japanese exports rose by 113%, French exports by 17% whereas Germany exported 8%, Italy 1.2% and the United Kingdom 31% fewer cars. This explains why the Japanese industry's share of the European market grew from 0.5% to 7% in the 1970s despite the strict quotas imposed by some countries.

The Japanese industry was able to achieve this performance because of its outstanding level of productivity. The leading Japanese manufacturer produced 42.8 cars per worker in 1978, the leading German manufacturer 13.6 and the leading Italian manufacturer 11.2.

This situation can be explained by a number of factors:

- relating to the social climate and including (a) more stable industrial relations in tune with the demands of a modern industrial society, (b) workers' and trade unions' attitudes in tune with the specific nature of this type of industry and receptive to the idea that the interests of the firm and of its workers are identical;
- relating to structural aspects and including (a) large-scale manufacturers able to obtain major economies of scale from the standardization of components, (b) lower unit costs, greater flexibility in deployment of the workforce, a high degree of mobility and average working hours much higher than in Europe (e.g. Japan 2,200/2,400 hours, Italy 1,500 hours a year).

5. Points out that faced with this external competition the Community car industry is structurally weak because it is split up into an excessively large number of producers in comparison with the overall level of production.

Ten European manufacturers account for 27.7% of world production or 8.8 million units compared with GM which has a share of 22.6% or 7.2 million units.

The two major European groups (PSA and VW) account for less than 30% of European production whereas GM and Ford in the USA and Toyota and Nissan in Japan account for about 75% of their national markets.

There is not then a European automobile industry as such but a series of national industries, each of which tends to dominate its own internal market, as is confirmed by the following figures:

- (a) VW 31% of the German market
- (b) Fiat 56% of the Italian market
- (c) Renault 33% of the French market.

These structural defects make it inevitable that further weaknesses will develop in the face of world competition:

- because of the splitting up of production facilities and the limited scale of production, it becomes more difficult to achieve economies of scale and to introduce automation, make innovations and achieve technological independence and the possibilities of standardizing components are reduced;
 - the 'national' objectives of the various automobile companies lead to a tendency to diversify their product which makes it more expensive to cover individual national markets;
6. Deplores the particularly worrying fact that the net result of this situation is that - in an energy crisis which is weakening the automobile industry throughout the world - it is the European industry which is suffering instead of setting the pace in competition.

At the present time the industries in the USA and Japan appear more readily able to convert rapidly to the technological requirements of the European market, while the industry in Europe is slow to rationalize although it has always offered for sale on markets outside the Community products with a lower energy consumption;

7. Believes that, in spite of all these difficulties, protectionism is not the way of dealing with external competition but also believes that it would be fatal to the Community's automobile industry to face up to this challenge unprepared and that at least until the first effects of coordinated measures by the Community begin to be felt it is necessary to take a number of temporary safeguard measures to protect the competitive position of the industry in Europe;

The European Parliament therefore:

8. Requests the Commission and Council to lay down a series of measures for action and coordination in the Community automobile industry making planned use of the existing legal instruments and directed towards a two-fold strategy:
 - (a) Externally, to remove the structural causes for Europe's inferiority compared with the US and Japanese industries;
 - (b) Internally, carrying out a general rationalization of the industry, ensuring that it does not weaken but rather strengthens the flexibility of decision-making and operation of companies.

These objectives can be achieved in three ways:

- unification of market conditions
- unification of the conditions of operation of companies by harmonizing national legislation on industry
- coordination of national public aids in this sector;

9. Stresses in particular two fundamental priorities

- (A) granting incentives to the automobile companies' European research programmes on fuel consumption, emissions, safety, new technologies and alternative energy systems;
- (B) encouraging concentrations in the components sector to be implemented through a European industrial policy operating independently of national government policies.

As regards point (A) we must take a positive attitude and see the recent agreement concluded by six European manufacturers as a move towards cooperation in this field, a starting point for the more intense efforts which will be achieved with the direct involvement of the Community institutions.

As regards point (B) on the other hand, this is undoubtedly the most suitable short-term measure to enable the industry in Europe to achieve a competitive position with regard to non-Community manufacturers. It will indeed be possible in this way to achieve economies of scale while maintaining the specific identities of national products and the necessary decision-making and operational flexibility of individual companies.

One of the ways in which the Community should encourage this process of concentration is the creation of new production plant for the manufacture of shared components.

These plants should be sited in the depressed areas of the Community and granted financial aid to reduce installation costs. Because this type of production has a high added value in relation to transport costs, it will also have a much wider available market than the finished product and will therefore be a better way of extending automobile construction processes to the poor areas of the Community without having recourse simply to forms of aid;

10. Affirms the vital importance for the recovery of the automobile industry of the implementation of a series of provisions and changes in legislation and in the policies of governments, employers and unions on industrial legislation in general.

This applies in particular to:

- (a) the harmonization of laws on industrial relations;
- (b) the harmonization of the social security component of wage costs;
- (c) a uniform definition of annual working hours and conditions governing overtime;
- (d) the concentration of incentives;
- (e) the monitoring of all measures which might affect production costs in various fields;
- (f) the introduction of a fund for temporary lay-offs, and for vocational training to provide for smooth operation of restructuring processes in this sector;
- (g) the launching of major industrial projects in the automobile sector outside of Europe with a resumption of the activities of the European Ex-Import Bank;
- (h) the granting of incentives to exports outside the Community.

All these provisions are of a particularly urgent nature if, as the Commission pointed out recently, the industry in Europe is to maintain control over its own future and not be a mere link in a world strategy which is decided on elsewhere without its knowledge;

11. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

